Logistics UK Autumn Statement 2023 representation

Logistics UK is one of the country's largest business groups, representing the entire logistics industry and supporting, shaping and standing up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the buyers of freight services, such as retailers and manufacturers.

As an organisation, we deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the UK. This document includes our priorities for HM Treasury and the Autumn Statement 2023.

Boosting UK productivity and growth

By putting logistics first - with the right partnerships, regulations and investment - government can supercharge the UK economy by between £3.9 billion and £7.9 billion, which would raise enough in taxes to fund between 20,000 and 40,000 additional nurses or teachers[1].

To ensure that the nation's decline in productivity is addressed, Logistics UK is calling on the government to work with the sector to establish a cross-Whitehall Logistics Productivity Forum, to maximise the benefits that this sector can deliver to the whole economy.

To unlock the UK's potential, the logistics sector is calling for:

- **Innovative and integrated infrastructure:** The UK's logistics sector is becoming ever smarter and more integrated, within businesses and between logistics sites and transport modes. The infrastructure it relies on also needs to become more integrated and multimodal too. Ultimately, the UK requires a national logistics transport network, to guide the investment needed to deliver goods in the optimum productive, strategic and green way.
- **Fair transition to a green economy:** The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help the UK achieve net zero. To deliver a fair transition and unlock private investment, the sector needs greater visibility of plans for energy infrastructure, innovation funding and regulatory and tax incentives.
- **Skills partnership to support a thriving sector:** The logistics sector is investing in recruitment and skills to respond to the rapidly changing needs of businesses, the ageing population and reduced migration from the EU – which are trends affecting all communities and parts of the economy. To deliver for the future, skills partnerships are required that reflect the breadth of high-quality logistics roles across the country.
- **Trade to be backed as a driver of innovation and productivity:** Logistics enables all international goods trade, and it has responded with agility to challenges such as EU exit, COVID-19 and the war in Ukraine. Trade should be backed as a driver of progress, with simple regulations and borders, and sufficient infrastructure capacity at ports and airports.

Progress on this agenda will give the sector the certainty it needs to invest in the future, delivering a more innovative, productive and green economy for communities right across the UK.

[1] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

What we represent

Logistics is a sector delivering an increasingly safe, sustainable and efficient system of national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, water and air, it delivers for everyone, everywhere, every day.

- Logistics delivers big public value on small margins, ensuring the availability of the products households, businesses and public services rely on. It moves goods more than 200 billion tonne-km within the UK per year and enables the trade of more than £1 trillion of goods, while working hard to avoid adding pressure to the cost of living. This is a challenge with fuel and energy costs at a historic high and restrictions on logistics growing.
- The sector delivers smart, green, resilient growth and jobs. It contributes £163 billion to the economy each year (12% of UK non-financial GVA), employs 2.7 million people (8.2% of the UK workforce), pays £5 billion in revenue to Treasury through Vehicle Excise Duty (VED) and Fuel Duty, in addition to other taxes.[2] It is becoming ever more innovative and integrated – within businesses and between logistics sites and transport modes. Its key hubs provide a catalyst for further growth and investment, helping places to thrive.
- Logistics delivers for the future, as an essential system for growth. It underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution, with the public sector and other private sector businesses spending 15% of their total input-related spending on logistics services per year. [3]

[2] Logistics Report 2023, Logistics UK. September 2023
[3] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

Summary of Logistics UK's policy asks for the 2023 Autumn Statement

A public-private partnership to boost productivity and growth	• Establish a cross-Whitehall Logistics Productivity Forum to capitalise on the opportunity to boost the UK economy by between £3.9 billion and £7.9 billion, as set out in *Logistics: a solution to the UK's productivity puzzle, Oxford Economics*. [4]
Innovative and integrated infrastructure	• Investment in better maintenance of existing strategic and local infrastructure to improve reliability and safety. • Investment and planning decisions focused on enabling efficient logistics and tackling the UK's top congestion hotspots, on road and rail and at ports and airports. • Industry-informed and evidence-based standards and regulations, which deliver a safe and efficient logistics system. • Championing the role of innovation in driving logistics productivity and, therefore, economic growth. • ONS data and definitions to better capture logistics activity.
Fair transition to a green economy	• Tax incentives, regulatory changes and investment to increase the uptake of green technologies available now. • The introduction of a dynamic mechanism for fuel duty that, in periods of inflation, enabling the Treasury to keep fuel duty down by taking into account its tax receipts from VAT and other sources – to ensure the sector's funds can be focused on decarbonisation.
Trade as a driver of innovation and productivity	• A decision on a Common User Charge as part of the Border Target Operating Model that mitigates costs on the logistics sector and for consumers.
Skills partnerships to support a thriving sector	• Reform skills funding to enable businesses to create opportunities and meet long-term needs, including ensuring appropriate funding for training providers. • Improve access to, and the appeal of, careers in logistics by boosting investment in facilities to improve the welfare of logistics workers.

[4] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

Summary of Logistics UK's policy asks for other government departments and the government's long-term priorities

Innovative and integrated infrastructure	• A think logistics first approach to inform infrastructure funding decisions to improve productivity and enable private investment. • Planning reforms which recognise the strategic national and local significance of logistics • A national logistics network, backed by reforms to infrastructure planning, local planning and innovation funding to deliver a joined-up 30-year strategy, with cross-party commitment and five-year delivery plans.
Fair transition to a green economy	• Clarification of the government's logistics decarbonisation deadlines, other than the end of the sale of new petrol and diesel cars and vans, following the Prime Minister's speech of 20 September 2023. • A fair approach to charges on and regulation of logistics to ensure they support decarbonisation and emissions reduction rather than lengthen journeys or add cost and inefficiency – which inhibits investment in the green transition. • A national logistics network supported by the energy infrastructure and sufficient power supply required for the transition to net-zero by all freight transport modes.
Trade as a driver of innovation and productivity	• Government to urgently rebuild confidence and credibility among the logistics sector that it can provide workable solutions that deliver the certainty, stability, simplicity and affordability the sector needs to trade smoothly. • Trade and customs policy codesigned between government and the logistics sector and aligning with transport policy. • Efficient delivery of the 2025 UK Border Strategy, and EU border policies including the Single Trade Window and Border Target Operating Model, in close coordination with the logistics sector and working pragmatically in partnership with the EU. • Efficient implementation of the Windsor Framework, in close coordination with the logistics sector, to protect and grow GB-NI trade and maximise trading and prosperity opportunities for Northern Ireland through its unique access to both the UK and EU single market. • A new and deeper trading relationship with Europe continually focused on making trade as frictionless as possible. • Free Trade Facilitation Agreements and Free Trade Agreements that unlock market access and enable efficient trade systems for UK logistics companies, to grow UK-world trade.
Skills partnerships to support a thriving sector	• Reform skills funding to ensure businesses can create opportunities and meet long-term needs, including by transforming the Apprenticeship Levy into a more flexible Training Levy. • Improve access to, and the appeal of, careers in logistics through continued collaborative effort to promote the industry to young people and job seekers through the Generation Logistics campaign; targeted use of migration to meet short-term, acute skills needs. • Proactive identification and development of transferable and cross-cutting skills needed by the current and future logistics industry.

A public-private partnership to boost productivity and growth

Logistics underpins the whole economy, with an economic footprint three times larger than its direct GVA contribution. By putting logistics first, with the right partnerships, regulations and investment, government can supercharge UK GDP by £3.9 billion to £7.9 billion per year by 2030. [5]

Given the potential for logistics to drive growth across the whole economy, we are calling for policy makers to work closely with us to establish a cross-Whitehall Logistics Productivity Forum to take the sector forward, helping to solve the UK's productivity puzzle.

To support this partnership, we are also calling for an improved separation of official logistics and general transport and planning data. This distinction would allow for more specific, tailored strategies that address the unique challenges and opportunities within the logistics industry, enhancing efficiency, and creating more targeted value, particularly in the interface with public infrastructure. Currently, logistics and freight data (concerned with planning decisions and the movement of goods, inventory management, supply chain optimisation, and efficiency of freight transportation) is unhelpfully intertwined with general transport data (including public transport networks like buses, trains, and trams).

[5] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

Innovative and integrated national infrastructure

The UK's logistics sector is becoming ever smarter and more integrated, within businesses and between logistics sites and transport modes. The infrastructure it relies on also needs to become more integrated and multimodal too. Bottlenecks in the UK's logistics infrastructure, the slow pace of planning and delivery and lack of long-term plans create inefficiencies and inhibits private investment.

In the short-term, this means rectifying the congestion hotspots that are harming the UK's productivity. For the longer term, the UK requires a national logistics transport and energy network, as well as a model for urban logistics, to guide the investment required to deliver goods in the optimum productive, strategic and greenest way.

Key asks

Short term:

- Investment in better maintenance of existing strategic and local infrastructure to improve reliability and safety.
- Investment and planning decisions focused on enabling efficient logistics and tackling the UK's top congestion hotspots on road and rail, and at ports and airports.
- Planning reforms which recognise the strategic national and local significance of logistics.
- Industry-informed and evidence-based standards and regulations, to deliver a safe and efficient logistics system.
- Championing the role of innovation in driving logistics productivity and, therefore, economic growth.
- ONS data and definitions to better capture logistics activity.

Long term:

- A national logistics network, backed by reforms to infrastructure planning, local planning and innovation funding to deliver a joined-up 30-year strategy, with cross-party commitment and five-year delivery plans. This must cover the whole of logistics, including warehousing, facilities, ports, airports and the corridors that connect them to communities across the UK.

Better maintenance of existing strategic and local infrastructure to improve reliability and safety

The logistics system relies on an efficient network of transport infrastructure. However, poor road conditions, overrunning works and capacity constraints are all combining to make journey planning highly unpredictable, thus increasing business costs such as through missed deliveries, unnecessary overtime, increased fuel consumption, inefficient fleet utilisation and damaged vehicles.

Despite the government's commitment to £6 billion of funding for local road maintenance between 2015 and 2021, according to the ALARM (Annual Local Authority Road Maintenance) survey of local highways departments in England[6], overall budgets have dropped by 16%, whilst the average shortfall in the 2021/22 carriageway budget has risen almost 50% to £6.4 million per authority, with the total shortfall in the year exceeding £1 billion. The RAC estimates that there could be at least one million potholes across the roads of the UK.[7]

We are calling for the government to invest in improved road maintenance and pothole repair by ensuring both national agencies and local authorities are adequately funded.

[6] Annual Local Authority Road Maintenance (ALARM) survey March 2023
[7] RAC Pothole Index – statistics and data for UK roads

Investment focused on tackling the UK's top congestion hotspots, on road and rail, and at ports and airports

In addition to maintenance issues, UK transport infrastructure is increasingly constrained, adding cost to the logistics sector and further hampering the economy.

Having an HGV stuck in congestion costs £1.29 per minute to the operator and, overall, congestion cost the UK economy £9.5 billion in 2022 alone.[8]

As well as affecting strategic transport corridors, congestion affects local transport too. For example, London topped the Inrix Global Traffic Scorecard[9] as the most congested city in the world, with the average London driver losing 156 hours due to traffic in 2022. Within the UK, Bristol is the second most congested city, followed by Manchester and then Birmingham.

According to international measures, from a position of comparative strength, the efficiency with which goods can be moved within and across the UK has experienced a relative decline since 2014. A variety of sources provide information relating to the relative quality and efficiency of different country's logistics services. One of the most prominent is the World Bank's latest Logistics Performance Index (LPI), which assesses the quality of logistics services and the context within which logistics businesses operate. In 2014, the UK's international ranking of 4th implied its status as a relative global leader. The latest edition of the LPI this year, however, saw the UK's ranking plummet to joint-19th, with by far the biggest decline registered during the period between 2018 and 2023.

The largest falls have related to timeliness, infrastructure quality and the quality and efficiency of customs operations. As a contributor to this, the UK has experienced a low intensity of transport infrastructure investment over the last decade. For example, UK investment in transport infrastructure grew by 0.7% annually between 2016 and 2019 compared to almost 9% per year in Germany over the same time period.[10]

Given the constrained fiscal environment, we welcome the commitment made by government in the previous Autumn Statement to maintain levels of major infrastructure and innovation funding, but we want to see a greater focus on long term planning to improve our transport infrastructure with an end to stop start decision in order to create certainty and unlock potential private investment.

With regards to tackling hotspots and enhancing capacity, our priorities are set out in this table:

Routes and regions	**Logistics priorities**
Greater London	The routes around and into London are critical not only to support trade flows around and into the capital, but also to enable freight growth at surrounding airports. The London Lorry Control scheme should be reformed as it inhibits the efficient movement of freight by restricting it at night when the roads are less congested. This adds to congestion during the day, which adds cost and emissions. In addition, the sector wants to see land for logistics protected, to enable the establishment of warehouses, interchange locations and wharfs, to unlock new urban logistics opportunities and optimise the city for logistics.

[8] Logistics Report 2023, September 2023
[9] https://inrix.com/scorecard/
[10] Logistics: a solution to the UK's productivity puzzle, Oxford Economics, September 2023

South East	This is an area of national importance for the logistics sector due to connection to the channel ports and several key airports, which carry international freight to and from the entire UK. Resilience and reliability are crucial. The logistics sector is calling for: • The delivery of the Lower Thames Crossing and supporting infrastructure upgrades at pinch points on the A2, including Brenley Corner and dualling between Lydden Hill and Dover. • Rail upgrades from between the Channel Tunnel and Wembley, enabling rail freight connectivity to Europe from across the UK. • Delivery of the Ely Area Capacity Enhancement to unlock rail capacity for London Gateway. Capacity constraints at Ely result in increased use of rail routes in the South East by freight coming to and from Felixstowe. As a result, there is a lack of available rail capacity to serve London Gateway. • The delivery of the Angerstein Wharf chord. • Additional aviation hub capacity at Heathrow, the Manston Airport project to be progressed, and no further restrictions on night flying to be imposed to help unlock capacity at Heathrow, Gatwick and Stansted. • A long-term plan to replace Operation Brock – to enable freight to flow freely through the UK's borders.
East of England	Supports important local and long-distance freight traffic through access to ports and connections to North-South routes. Requires reliability improvements to enable growth of key gateways. The logistics sector is calling for the delivery of the Ely Area Capacity Enhancement to enable more freight trains from the Port of Felixstowe to the Midlands and beyond, and to increase rail freight capacity to and from London Gateway.
Felixstowe to the Midlands	A critical route for supporting trade flows East-West. Investment in the A14 and improvements in intermodal operability is needed, as are measures to separate strategic and local traffic as much as possible. We are also calling for the delivery of the Felixstowe to Nuneaton railway upgrade.
London to the north of England	Enables long-distance North-South freight movements and connectivity to South East ports. Focus is needed on improving access to freight across the north and midlands, and improving the resilience of the route, as well as traffic flows that cross the route. This includes: • Delivery of HS2 to Manchester to create additional capacity for rail freight on the existing network. We are disappointed with the decision for HS2 to not go to Leeds. In addition, we want to see detailed work undertaken on the opportunities for freight from HS2, so the logistics sector can begin planning ahead – presenting an opportunity to unlock private investment. • Delivery of Eaglescliffe-Northallerton gauge enhancements.
Birmingham to Exeter	An important route connecting the West Midlands conurbation to South West ports and manufacturing facilities. The route is particularly vulnerable to disruption during peak holiday periods, so an emphasis on improving journey reliability and speed is essential.

Midlands	The area must be recognised for its importance as a key freight hub. After the South East, it has the largest concentration of logistics businesses and workforce. The logistics sector is calling for enhancements to the A5 to support this, together with the delivery of the Midlands Rail Hub, and Syston-Trent gauge enhancements. Improvements are also needed to gateways identified in National Highways route strategy for the A458, A483 and A40, for cross-border trade flows.
Cross Pennines (North and South)	Emphasis is needed on dramatically improving trans-Pennine connectivity and reliability across all routes and modes, as well as ensuring effective interchange with urban areas, North-South routes and between road and rail. Delivering the Transpennine Route Upgrade would better connect logistics hubs by rail and customers across the north and deliver improved east-west connectivity between northern ports, benefitting the whole country.
South West peninsula	Road investment is required to improve journey time reliability and capacity for freight connections to urban and remote areas, as well as management of issues during peak holiday periods.
England to Scotland and within Scotland	Significant road improvements are needed to improve journey time reliability between major urban centres and cross-border, as well as greater resilience for non-motorway sections. We are also calling for the delivery of the A75 and A77 upgrades to improve safety, capacity and reliability. These are the main road arteries serving the south-west of Scotland, and the access points to Northern Ireland at one end and to Scotland's central belt (in the case of the A77) and to England (in the case of the A75) at the other.
England to Wales, and within Wales	The logistics sector is calling for M4 and A465 capacity improvements; improved access to Cardiff airport and Holyhead for freight; Dicot-Cardiff gauge enhancements; and for the Wesh government to be realistic about the size of Wales's rail network when considering the role of road and rail in Wales's logistics network.
Northern Ireland	The logistics sector wants to see the delivery of the delayed York Street Interchange and A5; delivery of the Newry Southern Relief Road and A1 upgrade; and the plans for rail freight in the First All-Island (Ireland) Strategic Rail Review.

Industry-informed and evidence-based standards and regulations, to deliver a safe and efficient logistics system

Regulations have a significant impact on the logistics sector. There is scope for better regulations to reduce cost and enhance safety and efficiency, thus benefitting the economy.

We welcome the approval for Longer Semi-Trailers (LSTs), announced in May 2023, to increase to two metres longer than conventional trailers as this enables more goods to be carried in fewer vehicles, reducing congestion and emissions and improving road safety.

We want to see:

- Simplification of regulations and standards to support the safe and efficient movement of freight.

- Earned Recognition (ER) operators permitted to either carry out their own MOT testing on vehicles and trailers or delegate the responsibility to their third-party maintenance provider, subject to them meeting additional compliance requirements.
- Operators to be permitted to record domestic drivers' hours on smartphone apps, rather than a paper logbook, to improve data quality, analysis and efficiency.
- The current 35 hours of periodic training within the HGV Driver Certificate for Professional Competence (HGV DCPC) maintained, rather than replaced with a simple pass/fail test. We also want to see a more flexible system of training for the 35 hours introduced. The proposed periodic pass/fail test for the HGV DCPC - replacing 35 hours of training - risks road safety. The DfT's own consultation on the matter admits that the proposed change could lead to less training being offered.
- No introduction of the proposed one-year increase for the first date most road vehicles are MOT tested. This proposal would risk road safety, as it does not take into account that vans operated by the logistics sector are used intensively.

A national logistics network

The DfT's Future of Freight Plan (June 2022) commits the government to working with the freight sector to develop a National Freight Network (NFN), to deliver efficiencies in how freight is moved across, into and out of the country. Logistics UK supports this opportunity to optimise the logistics system, so goods are moved in the most efficient and sustainable way possible.

We want to see a national logistics network delivered by being backed by a 30-year infrastructure strategy, with five-year delivery plans to enable businesses to invest with confidence. This must cover the whole of logistics, including transport, warehousing, facilities for logistics workers and energy.

Delivering on this ambition means delivering reforms to plan transport investment on a multimodal basis, rather than on a modal basis. This should include:

- The National Infrastructure Commission (NIC) playing a key role in the identification of the national logistics network and the projects that would support it, as it does now, but with a greater focus on delivering integrated rather than modal outcomes, and with a greater understanding of the close relationship between transport and energy networks.
- Greater focus within DfT, National Highways and Network Rail on producing recommendations at a corridors and system-level, rather than by transport mode.
- Strengthened interfaces between the NIC, DfT, National Highways, Network Rail, National Grid, DNOs, devolved governments, sub-regional transport bodies and private infrastructure owners to scrutinise and shape proposals and feed them into their design and delivery plans.
- Clearer pipelines of public projects being progressed to unlock private sector investment in complementary projects – with potential opportunities to grow private investment/co-funding and or new financial models.
- ONS data and definitions better capturing logistics activity to inform the above.

Optimising the logistics system would deliver significant benefits. It would:

- Enable the UK to make more use of rail and water freight where it is efficient to do so – reducing carbon emissions and congestion. For example, each freight train removes up to 129 HGVs from our roads, with rail freight producing 76% less CO2 per tonne than road transport.
- Improve connectivity to and from the UK's ports and airports, creating opportunities to boost international trade.
- Add resilience to the overall logistics system, reducing congestion and increasing efficiency.
- Help to guide energy infrastructure plans for logistics – such as refuelling and charging infrastructure.

In addition to infrastructure planning, adopting a National Freight Network approach would also encourage a multi-modal view of where regulatory reform could enable the logistics system to flow more smoothly. For example, reforming night flight regulations in the South East Would add crucial capacity for high value air freight.

Reforms to planning

We want to see the effective prioritisation of strategic freight needs, including the national logistics network, in the planning system, recognising that all economics sectors and communities are dependent on logistics. This could include a planning presumption in favour of efficient and net zero logistics and or more effective use of call-in powers to recognise the significance of freight and logistics decisions to the economy.

Addressing the bottlenecks in the logistics system and delivering on the government's, and the sector's, ambition to deliver a national logistics network means prioritising logistics in national and local planning. This includes a national planning policy that supports the swift approval and sustainable delivery of major projects, including transport and intermodal facilities, where a clear economic need is identified. At the same time, local planning environments must support the delivery of warehousing, facilities for logistics workers and the safeguarding of land required for the integration of transport modes, including urban warehousing and wharfs.

We want to see a coordinated and integrated approach to infrastructure planning, investment and delivery across the UK, English regions and devolved nations that supports a UK-wide freight network and modal shift – covering transport and other logistics infrastructure, and the energy infrastructure required to support it. This includes ensuring devolved local and city-based decision making and investment powers support rather than inhibit local economic growth while seamlessly integrating with strategies for the strategic transport network.

As a result of local spending reductions, planning departments have often seen some of the most significant cuts. Experienced planners have been lost and departments are not able to work proactively with industry and utility providers to achieve positive outcomes. Inefficient planning processes are not in the interests of either applicants or the public purse; delays and appeals are costly and can be avoided with a more collaborative approach to planning applications. There is a role for central government in both ensuring that planning departments are operating effectively and providing adequate funding to local authorities to ensure they can do so.

We want to see the government work with planning authorities to raise awareness of the needs of the logistics sector, across all transport modes, ports, airports, warehousing – including to support interchange and modal shift – depot charging and facilities for logistics workers. We are also calling for the issuing of local planning resources and guidance on how to properly recognise the value of warehousing in planning assessments and encouraging local authorities to work closely with industry to deliver fast decisions, with government using the powers at its disposal to ensure this happens.

These changes are important to address the barriers currently in the way of the logistics sector. For example, our members frequently cite instances of logistics land allocated by local authorities as being of poor quality, poorly connected in terms of road networks and more recently with insufficient connections to electricity supply. They are also often need of remediation and located too close to residential areas. Similarly, land which could be suitable is often given over to new housing developments in areas of high need. They also highlight that 'last mile' connections to ports and airports frequently lie away from strategic transport corridors and are therefore the responsibility of local authorities yet require significant investment due to their economic importance.

Business rates

Many of our members have been impacted by the increased business rates that came into force in April 2023. We are calling on the government to keep the impact of increased business rates on warehousing under close review given the risk of inhibiting investment and pushing inflationary costs onto consumers, businesses and public services.

Championing the role of innovation in driving logistics productivity and, therefore, economic growth

The logistics sector is delivering an increasingly integrated system, with innovation playing a key role in this. Businesses are implementing new processes to increase efficiency, adopting green technologies to reduce carbon emissions and training people in new data-based skills. In addition, there are some potentially game-changing innovations on the horizon for logistics, including in the area of connected and autonomous vehicles (CAV).

Looking to the future, the need for innovation is increasingly at the interface between the sector and public infrastructure and public services – with the purpose of optimising and decarbonising the national logistics system.

We therefore welcome the commitment made by government to maintain levels of innovation funding[11] and are also calling for:

- Government to champion and showcase innovation that is delivering an increasingly productive, green and strategic logistics system.
- Government to actively support innovation adoption through innovation funds, the tax system, planning and guidance to encourage implementation of innovation across the logistics sector, with the aim of making it more integrated, efficient and greener. This includes guaranteeing a successor to the Freight Innovation Fund and reforming innovation funding to enable major businesses to become accredited allocators of government innovation funds in funding competitions, thus reducing barriers between innovation and adoption.
- Government leadership in cutting edge technologies, putting the logistics sector at the heart of their development trials and the development of legal frameworks, given that logistics can act as a test bed for the wider transport sector. Specifically, the sector wants to see the Zero Emission Road Freight Demonstrator (ZERFD) delivered at greater speed, with a pipeline approach of what will be trialled next and when, such as CAV on road and 'beyond line of sight' drones; planning guidance to promote the establish of spaces for vehicle trials; and a flexible regulatory environment for technology trials.

[11] UK Government Autumn Statement 2022

A fair transition to a green economy

The logistics sector is embracing the decarbonisation agenda and is committed to playing its part to help the UK achieve net zero, creating opportunities for the UK to be a leader in green innovation and investment. However, the agenda is raising urgent questions over the energy infrastructure required to support a fair transition to a green economy – inhibiting private sector investment.

Businesses need support now with the higher costs associated with operating zero emission vehicles and using low carbon fuels. In addition, any environmental charges on logistics must consider whether they assist or hinder a reduction in emissions.

For the longer term, greater visibility of the government's plans for energy infrastructure, innovation funding and regulatory and tax incentives is required, to give businesses the confidence to invest in the transition at pace.

Key asks

Short term:

- Clarification of the government's logistics decarbonisation deadlines, other than the end of the sale of new petrol and diesel cars and vans, following the Prime Minister's speech of 20 September 2023.
- Tax incentives, regulatory changes and investment to increase the uptake of green technologies available now:
    - Low carbon fuels across all transport modes
    - Electric vehicles and a public charging network that works for commercial vehicles
    - Depot charging and required asset extensions
    - Reform of regulatory EV weight thresholds, training and vehicle inspection regimes to avoid regulatory conflict and to encourage EV uptake
    - Rail electrification
    - Shore power at ports
- A fair approach to charges on and regulation of logistics to ensure they support decarbonisation and emissions reduction rather than lengthen journeys or add cost and inefficiency – which inhibits investment in the green transition.
- The introduction of a dynamic mechanism for fuel duty that, in periods of inflation, enables the Treasury to keep fuel duty down by taking into account its tax receipts from VAT and other sources – to ensure the sector's funds can be focused on decarbonisation.

Long term:

- A national logistics network supported by the energy infrastructure and sufficient power supply required for the transition to net-zero by all freight transport modes.

Clarification of the government's logistics decarbonisation deadlines

We are seeking clarification of the government's logistics decarbonisation deadlines, other than the end of the sale of new petrol and diesel cars and vans, following the Prime Minister's speech of 20 September 2023. This includes deadlines for sustainable aviation fuel (SAF), the end of sale of hybrid vans and non-zero emission tailpipe trucks smaller than 26 tonnes, the end of sale of all non-zero emission tailpipe HGVs, all domestic flights being net zero and the removal of diesel-only trains from the rail network.

We are clear that pushing back the deadlines to decarbonise, rather than making progress on the investment and policies logistics businesses need to implement the route to Net Zero, is unhelpful and will discourage private investment in the UK and its industries.

Tax incentives, regulatory changes and investment to increase the uptake of green technologies available now

Low carbon fuels (LCFs)

LCFs can provide a viable option for immediately reducing emissions from logistics by up to 80% for all modes,[12] including where battery is not a current option and given many logistics vehicles have a long life. They have an important role to play across all transport modes.

However, they are often more expensive than diesel and in short supply, and the logistics sector is not clear whether the government will back them for the long term – all of which is hampering their uptake. The many businesses that have begun a transition to greener fuels have found that, with the rise in energy prices, these fuels currently come at a cost premium. Some businesses have reverted back to diesel in response while others have not moved away from diesel yet due to the cost of the fuel, lack of availability of fuelling infrastructure and lack of clarity from the government on the direction of travel for alternative fuels.

LCFs have a role to play on:

- Road, as there is not currently the infrastructure in place for charging electric HGVs, nor the suitable vehicles available on the market for all journeys and types of operations undertaken by HGVs and heavy vans, and it is not clear what that charging infrastructure would look like or where it would be located.
- Rail, now and for any parts of the rail network that are not electrified by 2050.
- Aviation, with SAF seen as the primary way to significantly cut aviation emissions by up to 80%.[13] However, SAF is still much more expensive than jet fuel and without a domestic supply, UK aviation is reliant on imported SAF. It is at least double the price and often more than double. It is also in scarce supply.
- Maritime, where electrification for all vessels and journeys is not a viable option.

We want to see LCFs, in terms of use and production, incentivised in the tax system to increase their adoption, given they can reduce carbon emissions immediately. LCFs must be cost competitive with diesel and kerosene, including a continuation of the gas duty differential to 2030, development of a Hydrotreated Vegetable Oil (HVO) differential, decoupling the price of biomethane/bio-CNG from wholesale natural gas prices, and support from the government for the production of Liquefied Natural Gas (LNG), Compressed Natural Gas (CNG) and SAF.

A global solution is required, with the UK government taking a lead role. The annual COP summits provide a global stage for the UK to demonstrate leadership on this critical aspect of national and global efforts to decarbonise.

We are also calling on the government to secure a halt to the proposed changes to the Greenhouse Gas Protocol (GHGP) that would mean companies would no longer be able to report the benefit of using biomethane in their truck fleets and would have to report as if they were using fossil natural gas which has only a small carbon benefit over diesel and does not reflect the emission reduction benefits of using bio-fuels.

A long-term plan is also required for LCFs across the economy that makes strategic decisions over infrastructure, manufacturing and which fuels would be best used by which industries, given the likelihood of scarcity of supply driven by international demand. This plan should be evidence-based; keep the cost of logistics down; consider the carbon emissions impact of the whole fuel lifecycle; be backed by investment in infrastructure and R&D; and by a clear regulatory framework.

Also, with regards to LCFs, we want to better understand how the government balances its technology neutral approach with an objective that limits the use of certain technologies. For example,

[12] https://www.zemo.org.uk/work-with-us/fuels/projects/2020-high-blend-biofuels.htm

[13] https://www.iata.org/en/programs/environment/sustainable-aviation-fuels/

in the government's recent response to the Transport Committee's "Fuelling the future" report, it said that while its approach is technology neutral, it is not neutral on the "end goal [which] must be zero exhaust emissions." We are concerned that this approach limits the use of LCFs, synthetic fuels and hydrogen internal combustion, which can all play a role in reducing emissions or delivering net zero across the fuel lifecycle. We therefore welcome that the recent Biomass Strategy highlights a role for LCFs.

For SAF specifically, we want to see government action on the development of five SAF plants under construction by 2025, a price support mechanism funded by government to encourage production – and we welcome the government's recent announcement on this, and the laying of legislation for a 10% SAF mandate. We are also asking the government to play particular regard to aviation decarbonisation support in the US (Inflation Reduction Act) and EU (Fit for 55) schemes, when setting UK policy to ensure it is ambitious enough.

Electrification

Logistics businesses are increasingly investing in or considering moving to net zero vehicles where possible. This requires sufficient renewable energy in the UK and significant resilience and improvements to be delivered to the UK transmission and distribution energy grid.

Depot charging – road

Most road operators see depot charging as the primary charging option for their electric fleets. However, there is a significant concern about whether there will be adequate power supplies available when it is needed as fleet electrification progresses. There is also concern about the costs involved in increasing power supply to their depots.

Members are deploying electric vehicles (EVs) at depots where there is currently adequate power supplies and space to charge fleets on site. Where they operate on multi-sites, sites that have constrained power supplies will be considered later in their decarbonisation journey, while they work through the challenges of increasing power supply. For those areas with constraints, logistics businesses are keen to work with local authorities on their own charging infrastructure roll out plans to identify mutual benefits, and are calling for the government to facilitate such a collaborative approach between local authorities and fleet operators.

For operators electrifying their fleet, the capital expenditure required for depot charging can also be significant. Some operators currently in the process of electrifying their van fleets have reported costs of over £1 million for energy asset extensions, which is often not commercially viable, especially if premises are leased. In this instance, if the business relocated, the infrastructure would remain and, in some cases, may even be removed by the landlord, resulting in no further benefit to the business from the investment they had made. Any costs involved in increased power supply at premises, is in addition to the costs of acquiring new electric fleets and installing chargepoints.

Operators seeking new premises also struggle to identify where there is sufficient local grid capacity for depot charging, or where there is capacity to strengthen energy networks.

A significant barrier to an accelerated EV transition is the end-to-end process with the distribution network operators (DNOs). The processes involved among the various DNOs across the country are inconsistent and unclear at best. We urge the UK government to work with DNOs and the devolved governments to develop a common service level agreement to standardise the processes between DNOs across the country. We would like to see this outline the process from application to the quote, payment to the assigned person visiting sites, and also payment to design and install. Particularly, we urge a common step-by-step breakdown to better understand expectations timescales for the customer. This would ensure a common approach to charging infrastructure roll out across the UK.

Public charging – road

Even for those operators that will mainly use depot charging, they need to have confidence that the public charging network will be available and accessible to their drivers across the country, including for those drivers who take their vehicles home at night. The sector currently has concerns regarding the pace of the roll out of public charge points, with 84% of operators with public chargepoint experience citing availability as an issue (Logistics UK, 2023). This reflects a lack of sufficient urgency and consideration of the needs of vehicles used by the logistics sector.

The focus for many local authorities has been on providing charge points for private cars. As a result, 32% of logistics operators report charging bays as unsuitable for commercial vehicles (Logistics UK, 2023) as they are not designed with medium- and large-sized vans in mind. Long wheelbase (LWB) vans are around 6 metres long – Ford's LWB eTransit is 5981mm and the medium wheelbase (MWB) model is 5531mm; a Mercedes eSprinter goes up to 5932mm, compared to electric cars which are usually between 2.5 and 4.7 metres long. Public chargepoints are also rarely wide enough, or have sufficient height allowance to accommodate chiller units, if located in covered public car parks. In addition, public charging posts are typically located in areas with high footfall, such as shopping centres and town centres, while many logistics operators deliver to every address in the UK – including remote communities in rural areas – so the location of public charging should be addressed.

As well as increasing the pace of the roll out of EV chargepoints there needs to be widespread coverage of public charge points that can be used by commercial vehicles on and near the strategic road network (SRN), in residential areas for use by drivers who take their vehicles home, and also tradespeople working in those areas during the working day and for much greater availability in rural areas. Within this uplift there needs to be consideration for ensuring the chargepoint network can cater for commercial vehicles including rapid chargers and charging that is appropriate for HGVs and trucks.

As of 1 January 2023, there were a total of 37,055 public electric chargepoints in the UK, only 7% more than 1 October 2022. As a result, monthly installations will need to rise by 288% to meet the 300,000 by 2030 target set by the DfT.

A standardised booking system for local government-run charging points is needed: If there were a single, UK-wide booking system for charging points run by local government, fleet operators would be able to book and secure allocated charging points. This would increase the use of, and revenue from, local government-run charging points, particularly at nighttime, when demand on them is typically lower.

Fleet transition

Another challenge facing logistics operators on the road is that around 900,000 vans and 100,000 HGVs are leased or rented to UK businesses, representing 1-in-5 vans and HGVs on UK roads[14]. These are not covered by the criteria for the 100% tax deductible annual investment allowance for capital spending, adding to the cost of transitioning from traditional to EVs.

Warehousing

A key element of the logistics sector's decarbonisation is the significant reduction of emissions from warehouse operations. Many warehouses, particularly older sites, use gas for heating for example, and will need to introduce new technologies to replace this, such as through solar panels and battery storage.

To make further progress on electrification of logistics, the sector is calling for the following:

All parts of logistics

- A logistics first approach to inform energy infrastructure planning reflecting the fact that logistics underpins the whole economy.
- Significant strengthening of power infrastructure to support charging.
- A fair and equitable approach for funding electricity asset extensions to enable the expansion of on-site charging for commercial electric vehicles, including shore power at ports.
- Reforms to planning to reduce the time it takes to install charging infrastructure at depots.
- Transparency on available grid capacity to help inform investment decisions, together with DNOs adopting common approaches to costs and service agreements, as well as increasing their own capacity and accepting load balancing options.
- Rates incentives and capital incentives to support green initiatives on premises such as solar and wind.

[14] https://www.bvrla.co.uk/news-insight/commercial-vehicles.html

Road

- Progress of the ZERFD for battery, hydrogen and catenary. ZERFD offers unrivalled opportunities for the sector and government to work together to determine the way forward. However, there is a risk that the delay in the ZERFD leads to falling behind US and EU in terms of inward investment.
- Progress on the planned Zero Emission HGV Infrastructure Strategy, to plan how the needs of vehicle charging and grid capacity will be managed.
- Amendment of the qualifying criteria for the 100% tax deductible annual investment allowance for capital spending in the year of expenditure, to include vehicles acquired via leasing or hiring, and clarify the usage of the allowance to investments in both buildings and equipment, including costs associated with increasing electricity supply at commercial vehicle premises to support the transition to net zero logistics and increased productivity.
- An immediate uplift in the number of public chargepoints that can be used by battery electric vans, and recognition of the future needs of battery electric trucks which is vital to give the logistics sector the confidence to invest in zero emission at the tailpipe vehicles.
- Electric charging and refuelling infrastructure roadmap designed with businesses to work for logistics vehicles, backed with clear guidance and incentives for local authorities. This includes chargepoints designed with sufficient space for logistics vehicles and fast charging points to enable operators to maximise the efficiency of fleets.
- A centralised and standardised public chargepoint system operating to high reliability standards, including a standardised booking system for public charging points, a standardised approach to payment systems, a standard Service Level Agreement for charge post operability/charge up time.
- Sudden changes to plug-in vehicle and chargepoint grant schemes to be avoided where possible to support better business planning and provide certainty for operators.
- Reforms to training and vehicle inspection regimes for large electric vans to take into account that those vans are currently being unfairly caught in costly rules designed for HGVs, as they are heavier than diesel vans. This means:
    - Removal of the additional mandatory training requirement to allow drivers with a category B licence to drive alternatively fuelled vehicles (AFVs) up to 4,250kg, given that recent driving licence entitlement changes mean that category B drivers can already operate conventionally fuelled vehicle and trailer combinations over the AFV derogation's 4,250kg limit without additional training. There are no known stability or safety issues, and we do not believe additional mandatory classroom training for AFVs is necessary. Requirements laid out in the Health and Safety at Work Act 1974 and the Provision and Use of Work Equipment Regulations 1998 mean that employers are legally required to ensure that any work equipment is safe and appropriate for the purpose to which it is being applied, taking into account the working conditions and health and safety risks.
    - Reviewing the weight at which EVs require testing by the DVSA from one year, rather than the three-year point for lighter vehicles. Electric vans are heavier than their diesel equivalents, due to the weight of batteries, and therefore many smaller vehicles are currently caught in a testing regime designed for larger vehicles. This adds cost to industry and slows the transition to electric.
    - Increasing weight and length allowances for electric vehicles, to enable such vehicles to operate with full length trailers.

Rail

- Electrification is vital for decarbonising rail, and the sector has assessed that 800 miles of additional electrification is needed in the UK to enable 95% of rail freight to be electrically hauled. The initial 60 miles of infill electrification is estimated to cost circa £50 million per annum.
- We are calling for rail electrification to be expediated now, as a known technology and electrification of rail freight routes should be prioritised.

Water

- Ships account for 60% of emissions at ports and shore power – electrical connections for ships at berth – could play a major role in reducing these emissions.
- To make progress, the sector is calling for support with the high costs of delivering shore power at ports, which the DfT has acknowledged "has a role to play in immediately reducing emissions from vessels visiting ports" and is likely to be "low/no regrets".[15] This will help UK ports remain competitive for use by deep-sea shipping lines, cargo owners/exporters, and cruise lines alike versus EU rivals where shore power connectivity is mandatory from 2030. Funding should be combined with focussed stakeholder discussions examining immediate ways to boost energy capacity and distribution in and around UK ports.

The need for fair approach to charges on logistics to ensure they support decarbonisation

We are calling for reforms and the introduction of a national framework to rationalise the patchwork of charging mechanisms, including Clean Air Zones (CAZs) that have already come into effect and are in development across the country. We fully support efforts to reduce particulates in urban areas. However, where these do not align with any overall fuels strategy or where there are no viable alternatives to the vehicles being targeted, they simply add cost to business and push logistics operations further out of city regions, adding mileage and emissions, and inhibiting the development of logistics jobs within those regions – and investment in decarbonisation.

In addition, operators use fleets across the UK meaning vehicles need to operate in all jurisdictions. Specific requirements to enter towns and cities, especially where those requirements differ between towns and cities, add inefficiency and cost. 25% of road hauliers have invested in alternative fuels or electrification as a direct result of the introduction of CAZ regulations (Logistics UK, 2023).

Prior to the delivery of such a national framework, we want to see a common payment method across the country, as well as a national portal or dashboard highlighting the requirements of different local authorities, to ensure compliance is made as simple as possible.

A dynamic mechanism for fuel duty

We welcome the government's freezing of fuel duty, given that increasing fuel costs will limit the capacity of the logistics sector to invest in the green transition. Moving forward, we are calling on the Treasury to deliver a dynamic mechanism for setting fuel duty that considers the Treasury's VAT receipts from fuel. At a time of high fuel prices, rather than the Treasury benefitting from increased VAT receipts, this approach would protect the economy by cushioning consumers, public services and businesses from further price rises linked to transport costs, while maintaining current tax receipts for the Treasury.

We are also calling for the other charges applied to haulage to be reviewed. In addition to fuel duty, there are several other fiscal charges to be paid, adding to the cost of business. Firstly, operators of vehicles above 3.5 tonnes must also pay vehicle excise duty (VED) based on the vehicle weight, number of axles, and whether it is a rigid or articulated vehicle or towing a drawbar trailer. Secondly, all UK and international hauliers of vehicles over 12 tonnes must pay the HGV Road User Levy.

Road and rail charging

With the transition towards EVs, especially for cars and smaller logistics vehicles, we understand the need to review the future shape of road taxation and pricing. We would therefore like to work urgently with the Treasury to help develop effective solutions, as businesses need to understand the taxes and charges that may be applied to vehicles in the future so they can invest now with confidence.

We welcome the National Infrastructure Commission looking at the progress made in this area, and we would like to see some further direction for it included in the second National Infrastructure Assessment, due to be published in autumn 2023.

[15] Transport Decarbonisation Plan, UK Government, July 2021

Any move towards road pricing should also consider how it relates to other transport modes. In such a change, it is vital to ensure that rail pricing reflects the positive safety and environmental benefits of rail freight and incentivises best use of the national logistics network.

In the meantime, we are calling for an expansion of incentives, including the Mode Shift Revenue Support (MSRS) scheme and Freight Facilities Grant (FFG).

Skills partnerships to support a thriving sector

The logistics sector is investing in recruitment and skills to respond to the rapidly changing needs of businesses, the ageing population and reduced migration from the EU – which are trends affecting all communities and parts of the economy.[16]

In the short-term, there is work to do to manage acute shortages.

For the longer term, the sector needs skills partnerships that reflect the breadth of high-quality logistics roles and how these roles support aspiration and resilience in communities across the country. Future skills development needs to go hand in hand with the roll out of new technologies.

Key asks

Funding:

- Reform skills funding to ensure businesses can create opportunities and meet long-term needs, including:
    - Transforming the Apprenticeship Levy into a more flexible Training Levy.
    - Ensuring appropriate funding for training providers.
    - Broadening eligibility for roles in the sector to receive support through the National Skills Fund.

Access and appeal:

- Improve access to, and the appeal of, careers in logistics through:
    - Continued collaborative effort to promote the industry to young people and job seekers through the Generation Logistics campaign.
    - Targeted use of migration to meet short-term, acute skills needs.
    - Investment in facilities to improve the welfare of logistics workers.

Future skills

- Proactive identification and development of transferable and cross-cutting skills needed by the current and future logistics industry.

There are 2.7 million people employed, directly and indirectly, in logistics roles. Like all sectors of the economy, logistics is managing change in terms of technology and demographics, and we were also significantly impacted by the end of freedom of movement. For example, between the third quarter of 2019 and the third quarter of 2022, 13,900 HGV mechanics, technicians, and electricians from the EU have left the UK labour market. Consequently, 54% of respondents to Logistics UK's quarterly performance tracker reported 'severe' or 'very severe' difficulties in recruiting HGV mechanics. This has resulted in a high degree of wage inflation, with the advertised salary for HGV mechanics and technicians rising 11.6% in the year to December 2022, which increases costs for operators.

We therefore welcome government recognition of the importance of the sector, including with resilience of haulage and logistics being a priority under the No. 10 Delivery Unit-led 'Sector Delivery Leads' initiative; working with the industry to tackle delays in licensing; funding for skills bootcamps and joint funding of Generation Logistics.

[16] Logistics Skills Review 2023, Logistics UK, August 2023

Highlighting opportunities

The logistics sector is making significant investment in skills, including through the Generation Logistics campaign.

This has been developed in collaboration with the DfT, Logistics UK, the Chartered Institute of Logistics and businesses across the sector to change perceptions and attract new entrants to the logistics workforce. It is helping to raise the profile of the logistics sector and demonstrate the value that a career in the sector can provide, targeting career-starters and career-changers alike.

The sector welcomes the government's continued support for Generation Logistics, which will enter its second year in autumn 2023.

Recruitment

Skills Bootcamps – as supported by the government and Logistics UK and as recently delivered through the HGV Skills Bootcamps – have proven to be a successful approach for meeting shortages, and there is more that can be done to increase awareness in order to encourage further take up.

Skills investment

Skills investment needs to deliver better value for money for the public and private sectors. To help rectify this, an immediate review of the funding model for the Apprenticeship Levy should be undertaken to ensure funding delivers the value intended. Since the Apprenticeship Levy was introduced in 2017, transport and logistics businesses have paid £825 million in levy funds. However, the total estimated amount of funding possible for the sector to have recovered in the same period was just £250 million.[17]

More flexibility in how the levy can be spent could lead to increased apprenticeships starts, allowing more companies to utilise the funding available, whilst meeting the needs of their business.

We support the creation of a Training Levy, to replace the existing Apprenticeship Levy. Doing so would enable companies to solve their own skills shortages in the short term, by allocating levy funding for training programmes which do not necessitate a year-long apprenticeship, such as HGV drivers, warehouse operatives and forklift operators. This would not only allow employers to spend their levy funds in the most effective way possible, but also ensure that companies can play an active role in solving acute skill gaps by upskilling and giving their employees the transferable skills required in the modern workplace.

We also want to see improvements to the government's lifetime skills guarantee, to allow more flexibility for both businesses and employees. At present, adults who have prior level 3 qualifications are unable to access funding for most of the courses being offered, and those who are eligible are only able to access full funding for a specific list of level 3 qualifications, which do not necessarily reflect the roles which industry needs to fill. Therefore, while Logistics UK supports the government's commitment to lifelong learning, it must ensure that people are not ruled out of this guarantee based on prior experience, and that funding is available for the qualifications which are in highest demand. Furthermore, meeting demand for qualifications within the logistics sector would require greater funding for level 2 roles, since these make up most of the shortage occupations in the industry at present.

The Freeport Skills Fund will be a good example of future proofing industry needs and simultaneously supporting local communities through regeneration, upskilling and jobs, raising aspirations and the levelling-up agenda.

Targeted use of migration

Despite significant investment in supporting the domestic workforce into logistics roles, the sector will require some support from overseas workers, at least in the shorter term. Given that logistics was one

[17] Logistics Skills Review 2023, Logistics UK, August 2023

of the sectors most reliant on EU workers when Freedom of Movement was in place, there are several acute shortages in the sector which require shorter term solutions.

Ensuring that Skilled Worker visas are available for more logistics roles than at present would support the UK logistics system, as would adding these roles to the Shortage Occupation List (SOL). In the recent review of the SOL, we have called for mechanical engineers to remain on the list, and that forklift drivers, warehouse operatives, HGV drivers and vehicle mechanics to be added. It would also be helpful to review whether the current system for sponsoring visas works for business.

Investment in facilities to improve the welfare of logistics workers

To support the welfare of logistics workers, and attract new and more diverse talent, we are calling for improvements to driver facilities to be integral to any road investment scheme. There also needs to be an increased awareness of security issues and best practice at lorry parking locations, with access to funding for industry to improve security and facilities at existing lorry parking sites.

Logistics UK welcomes the government's announcement[18] of the 39 roadside facilities that will receive £8 million in government funding and £11 million in industry funding to deliver significant upgrades to important features such as showers, restaurants, security and parking capacity. We also welcome the government opening the window to bid for the second round of match-funding, closing on 20 November 2023.

This is a positive step forward for the sector, for both its current workforce and its ability to attract new recruits. However, further progress is required. Transport Focus data published in August 2023[19] shows that most vehicle managers regard current rest stops of being of poor quality and lacking availability. The latest Lorry Parking Survey published in 2023[20] shows the utilisation of lorry parking facilities in the England at night is above critical level, at 87%. In 2018, the previous study[21] found there was an urgent need for 1,411 overnight lorry parking spaces in England, which the government committed to deliver.

[18] Better facilities for lorry drivers as winners of £8 million funding revealed, September 2023, Department for Transport
[19] Logistics and Coach Survey: Strategic Roads, August 2023, Transport Focus
[20] National survey of lorry parking (2022): part 2, June 2023, Department for Transport
[21] National survey of lorry parking, May 2018, Department for Transport

Trade as a driver of innovation and productivity

Logistics enables all international goods trade, and it has responded with agility to challenges such as EU exit, COVID-19 and the war in Ukraine. However, barriers to trade and declining international connections are impacting the UK's innovation and productivity, and there is a risk of these barriers growing in the coming months. In fact, the UK was ranked 19th on the World Bank's 2023 Logistics Performance Index (LPI) – a significant drop compared to the average placement of 6th between 2012 and 2018. The main challenges result from border friction, which is contributing to a decline in on-time shipments, efficient customs processes and the tracking of shipments.

The logistics sector is calling for trade to be backed as a driver of progress, ensuring international freight and parcel movements via road, rail, sea and air are as frictionless as possible and that the UK enjoys improved international connectivity and performance. This entails simple regulations and border procedures, and sufficient infrastructure capacity to, from, and at ports and airports.

In 2022, the UK exported £414 billion goods and imported £644 billion, made possible by the logistics sector[22]. £297 billion of this was via air cargo[17] which supports more than 151,000 jobs. At the heart of the government's trade strategy must be recognition of logistics as a driver of export growth and inward investment.

Key asks

Overall: Trade policy codesigned between government and the logistics sector.

- Government to urgently rebuild confidence and credibility among the logistics sector that it can provide workable solutions that deliver the certainty, stability, simplicity and affordability the sector needs to trade smoothly.
- The logistics sector is concerned that the current lack of detail on UK policy and lack of engagement with EU Member States is creating a high risk of delays at the border, reduced choice and higher costs for the UK.

Short term:

- Efficient delivery of the 2025 UK Border Strategy, and EU border policies including the Single Trade Window and Border Target Operating Model, in close coordination with the logistics sector and working pragmatically in partnership with the EU.
- Efficient implementation of the Windsor Framework, in close coordination with the logistics sector, to protect and grow GB-NI trade and maximise trading and prosperity opportunities for Northern Ireland through its unique access to both the UK and EU single market.

Long term:

- A new and deeper trading relationship with Europe continually focussed on making trade as frictionless as possible.
- Free Trade Facilitation Agreements and Free Trade Agreements that unlock market access and enable efficient trade systems for UK logistics companies, to grow UK-world trade.

Minimal friction at borders to boost trade and investment

Trade thrives when borders and customs procedures are as frictionless as possible, processes are industry-friendly, and transport connectivity is efficient, including through the mutual recognition of standards and qualifications for logistics workers.

It is crucial that the ambition, vision, transformations and strategic objectives of the 2025 Border Strategy are fully resourced and realised as quickly as possible, that delays, and the number of successive customs and border changes are minimised and there is clear and timely communication with industry. This includes having the 'most effective border in the world'; a border that is highly productive, free flowing, predictable and resilient for all users.

[22] UKtradeinfo, 2023. Summary of Import and Export Trade with EU and Non-EU Countries.

It is important that there is ongoing involvement of the logistics industry in early testing of prototypes of future systems. Systems should be accessible prior to their launch to give businesses time to organise training, identify any structural and design weaknesses and anticipate any repercussions on their own systems and processes that may interact with government platforms. There should also be a clear structure for escalating and resolving concerns and cases.

As processes are modernised and digitalised, there must be clear protection of commercially sensitive information.

Government must provide the ongoing support required to enable government and industry to deliver the major transformation needed by 2025 and beyond it to implement the long-term Target Operating Model and Single Trade Window programme.

With so many changes to customs, borders and trading processes, UK SMEs will need support to upskill and increase capacity to meet these new requirements. The reformed Apprenticeship Levy Logistics UK is calling for should include flexibilities for logistics businesses to draw down funding to support skill development in the complex area of customs.

The government should carry out a 'red tape review' in the trade arena at critical junctures to minimise the burden on business.

Windsor Framework – Keeping GB and NI Trading and exporting

Logistics and haulage businesses have a unique and complex role in the GB-NI supply chain. In recognition of this essential role, Logistics UK is calling on government to regularly produce timely and clear specific guidance on the Windsor Framework tailored to the logistics sector. Government must also meaningfully engage with the logistics industry to work though the practical application of requirements and all efforts must be made to reduce the burden, where possible, on groupage operators in particular who play a key role in facilitating GB-NI trade as well as onward exports.

Divergence is an inevitable and ongoing challenge under the Windsor Framework. With EU standards on animal and plant health continuing to apply in NI, clear and robust mechanisms need to be put in place to assess impacts and manage regulatory divergence over time. Government must also ensure that there is meaningful NI stakeholder engagement at a UK government and joint UK-EU level to address and mitigate emerging issues.

As well as protecting and growing GB-NI trade, government must also promote and maximise trading and prosperity opportunities for NI through its unique access to both the UK and EU single market.

Border Target Operating Model – Delivering workable solutions that keep trade flowing

While there has been some progress in the final Border Target Operating Model published on 29 August 2023, the logistics sector is still awaiting decisions and details on significant issues. Without this information and guidance, businesses will not be able to prepare and adapt to meet these new import controls even under the revised timeline, given that adaptation of business operations and models, including developing, testing, and operationalising new IT systems will take a minimum of six-12 months, once all the required details are published.

Logistics UK is calling on government to urgently publish:

- A workable model for the Short Straits, a critical EU-UK supply chain, which minimises cost and disruption to logistics businesses.
- Its decision on what import charges it will apply at government run Border Control Posts (BCPs), its modelling of the impact of the costs of these new import processes on businesses, particularly groupage operators moving lower value products, and on inflation.
- Confirmation of what control activities will be carried out at each Border Control Site and whether, to avoid additional costs, potential re-routing and increased mileage and CO2 emissions, all risk categories of SPS) goods will be permitted to move through each BCP and a single national level charge will be applied.
- Confirmation that there will be sufficient capacity at BCPs to prevent delays and additional costs to businesses particularly for just in time produce.

- Details of the additional support and solutions that will be applied to ensure the continued viability of groupage operators, particularly those picking up from multiple locations across the EU.
- How Trusted Trader Schemes will be made more inclusive of, and accessible to, SMEs and not just larger operators with the capacity to invest and meet eligibility requirements.
- Its assessment of the state of readiness among EU suppliers and veterinary workforce including details of the government's communication strategy, advice, guidance and support to improve readiness and confirmation of what Export Health Certificate process will apply in each EU country given no uniform approach has been agreed.
- Further details on how unfettered access under the Windsor Framework will be protected, how abuse will be prevented and how trade in both directions will flow smoothly though ports, including Cairnryan, once the Border Control Post is in place, for non-qualifying NI goods.
- Assurances that the Single Trade Window will interface with all relevant agencies including environmental agencies, Trading Standards, the National Crime Agency etc as well as HMRC and Border Force, that there will be no delay to its development and roll out, that it will have interoperability with international trading systems, and the concerns of logistics companies about how the government will protect commercially sensitive data will be addressed.
- Details of the meaningful engagement mechanism it will establish with the logistics sector to enable the quick identification of operational difficulties and introduction of the solutions needed as the Border Target Operating Model (BTOM) is implemented – learning from the Windsor Framework stakeholder engagement experience.

Logistics UK notes the Annex to the BTOM setting out when further guidance will issue but this detail is needed now to enable the logistics sector to plan, prepare and adapt, and to help rebuild confidence among the sector that the government can, and is, providing workable solutions that deliver the certainty, stability, simplicity and affordability they need to trade smoothly. Without this detail the logistics sector remains seriously concerned that these new import control proposals will lead to reduced product availability on UK shelves, higher prices and higher inflation.

Logistics recognised within the UK's trade deals and leading the way on global logistics innovation and decarbonisation

Logistics presents a major opportunity to expand trade and inward investment, and to ensure UK businesses are playing their full part in international progress on logistics innovation and decarbonisation.

A new and deeper UK-EU trade deal to remove friction and barriers to trade

Given the importance of the EU as a close trading partner with the UK, Logistics UK is calling on government to build on opportunities within the review of the UK EU Trade and Cooperation Agreement (TCA) due in 2026 to reach a deeper trade agreement which addresses logistical, regulatory, and administrative barriers to trade. Logistics UK supports a UK EU Veterinary Agreement to significantly reduce barriers and frictions in the movement of SPS goods.

In the interim, we are calling on government to act now to reduce friction where possible on UK EU trade. Given the importance of the electric truck and van import market to the UK logistics system and efforts by the logistics sector to transition to alternatively fuelled vehicles, government must find an urgent, pragmatic joint solution to the pressing trade and environmental issue of Rules of Origin and electric vehicles. Under current rules, 40% of the value of an EV should originate in the UK or EU to qualify for trade without tariffs. However, this percentage will rise to 45% from the beginning of next year to avoid export tariffs of 10%, while for battery packs the threshold will be 60%. From 2027, the bar is raised even higher, to 55% for the value of an electric vehicle and 70% for battery packs. Government must engage effectively with the EU to secure, at a minimum, a delay in planned changes until the UK and EU supply chain is in a stronger position.

Logistics UK backs the government in urging the European Commission to establish the Motor Vehicles and Parts Working Group, as set out the legal text of the UK EU TCA, to address technical barriers to trade in this market.

Best-in-class Free Trade Agreements

We want to see Free Trade Agreements which unlock market access, support mutual recognition of qualifications, facilitate efficient trade systems for UK logistics companies, and which involve UK logistics in research and development opportunities. To support this, we are calling for best-in-class trade facilitation arrangements with key commercial partners around the world and a supportive environment for trade, both in the UK and globally.

With new Free Trade Agreements still being negotiated with Mexico, Canada, South Korea and Turkey, it is critical that extensions to current arrangements are secured to provide continuity deals and prevent trade cliff edges in 2024 when current agreements expire until new agreements are in place. Logistics UK calls on the government to continue with its priority focus on achieving this outcome.

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